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SUBJECT: High unemployment rates speed passage of Canadian budget bill

Ref: Ottawa 0080

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¶1. (SBU) Summary: The combination of worse-than-expected unemployment numbers and high unemployment in key opposition Parliamentary ridings put pressure on Liberal Senators to pass budget and stimulus legislation quickly and with less than the usual level of rancor. The budget legislation received Royal Assent on March 12, 2009. End Summary

¶2. (U) On March 13, 2009, Statistics Canada released its monthly unemployment data confirming earlier rumors of a worse-than-expected employment situation. In February, Canada's unemployment rate rose to 7.7 percent, reflecting a net job loss of 82,600 and a 0.5 percentage point increase from January's 7.2 percent level.

¶3. (U) Ontario suffered the largest decline in employment, losing 35,300 jobs, followed by Alberta (down 23,700 jobs) and Quebec (down 18,400 jobs). The construction sector alone lost 43,200 jobs, accounting for over half the decline in overall employment. Other big losers were professional services (e.g., engineering and construction), educational services, and natural resource extraction.

¶4. (U) On the positive side, manufacturing job losses halted their downward slide, adding 25,000 new jobs in January, many of them in the food processing industry. This increase does little, however, to offset the more than 100,000 Canadian manufacturing jobs that have disappeared since February 2008. Further jobs may also be lost once the automotive sector reveals its restructuring plans at the end of March.

¶5. (SBU) Rumors of weaker than expected employment numbers reportedly helped accelerate Parliament's passage of the federal budget. The Budget Implementation Bill (C-10) will release more than C\$40 billion in economic stimulus (reftel). The Bill had cleared the House of Commons on March 4, but the Senate had originally intended to study the bill for at least two more weeks, and observers did not expect final passage until the end of the month.

¶6. (SBU) A second factor likely contributing to the Bill's quick passage is C-10's measures providing an extra five weeks of unemployment insurance benefits to out-of-work Canadians. The additional benefits became available immediately to eligible claimants once the Bill received Royal Assent. Liberal Senators - unhappy with other elements of C-10 such as pay equity (ensuring that women receive equal pay for work of equal value) - reversed their position after criticism that delay would deny Canadians access to extended unemployment benefits. As a compromise, senators

will study and report on these non-stimulus elements further in committee.

[17](#). (SBU) Comment: Ottawa watchers note that the passage of budget legislation in only seven weeks is highly unusual. They cite high unemployment rates in key Liberal ridings as contributing to the Senate's quick approval. As important was the firm hand taken by new Liberal leader Michael Ignatieff who stated "A Liberal will never come between an unemployed worker and the employment insurance that he or she needs." End comment